

**LOESS HILLS ALLIANCE  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

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Marilyn Schroer, CPA  
Diane McGrain, CPA  
Jim Menard, CPA

November 1, 2010

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Loess Hills Alliance  
Council Bluffs, IA

We have audited the accompanying statement of financial position of the Loess Hills Alliance (a nonprofit organization) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Loess Hills Alliance as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

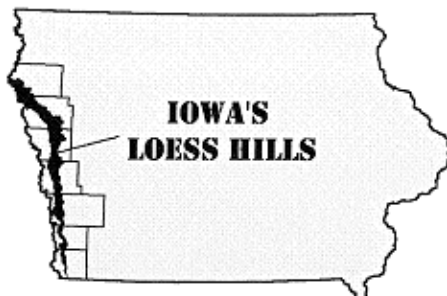
In accordance with *Government Auditing Standards*, we have also issued a report dated November 1, 2010 on our consideration of Loess Hills Alliance's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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November 1, 2010  
Loess Hills Alliance  
Independent Auditors' Report

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 17, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Schuler & Associates, P.C.*



## LOESS HILLS ALLIANCE

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management of the Loess Hills Alliance (LHA) provides this Management's Discussion and Analysis of the LHA's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the LHA's financial statements which follow.

### 2010 Financial Highlights

- LHA state appropriations were \$200,000 for both fiscal year 2010 and 2009. . These funds were matched with federal and other sources of program funding, resulting in an average match ratio of 5:1 with \$1 of state appropriation being matched on average with \$5 of additional support. In individual grant projects, a ratio of nearly 30:1 has been recorded.
- The LHA's total revenues for fiscal year 2010 decreased by .75% as compared to fiscal year 2009, largely due to the increase in interest.
- The LHA's expenditures for fiscal year 2010 were approximately \$7,100 more than anticipated, or 3.5% over budget. Programs and activities approved in each of the committees often require more than one fiscal year to complete. Grant agreements and extensions are completed to carry projects forward from previous fiscal years to be paid in current fiscal years. Funds are designated to programs as they are approved, and paid as they are completed.
- The LHA's net assets decreased by \$1,357, or approximately .3%, from June 30, 2009 to June 30, 2010
- The LHA's total liabilities and net assets decreased by \$54,021 or approximately 11.6%, from June 30, 2009 to June 30, 2010. The decrease in the LHA's total liabilities and net assets is mainly due to the fact that projects carried over from previous years were completed in fiscal year 2010.

### Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the LHA's financial activities.

The basic financial statements consist of a Statement of Financial Position including Assets, Liabilities, and Net Assets, a Statement of Activities and Changes in Net Assets, and a Statement of Cash Flows. These statements provide information about the activities of the LHA, on a comparative basis, including resources held by the LHA but restricted for specific purposes by legislation or by the LHA's Board of Directors.

Notes to Financial Statements (pg.14-16) provide additional information essential to a full understanding of the data provided in the basic financial statements.

## **Reporting the LHA's Financial Activities**

### *The Statement of Financial Position and Statement of Activities and Changes in Net Assets*

One of the most important questions regarding the LHA's finances is "Was the LHA monetarily able to attain its goals during the year?" The Statement of Financial Position and the Statement of Activities and Changes in Net Assets report information about the LHA's resources and its activities in a way that helps answer this question. These statements include all assets (restricted and unrestricted) and all liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the LHA's net assets, which is the difference between assets and liabilities, as one way to measure the LHA's financial position. Over time, increases or decreases in the LHA's net assets are one indicator of whether its financial position is improving or deteriorating. Additional factors, such as changes in appropriations and legislation, and reductions in the amount of local matching funds available, are also important in making this determination.

### *The Statement of Cash Flows*

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from three defined types of programs/activities: economic development grants, natural resource protection grants, and private lands stewardship development projects. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

## Financial Analysis of the LHA

As noted earlier, net assets may serve over time as a useful indicator of financial position. The LHA's net assets decreased by \$1,357 or by .3% from fiscal year 2009 to fiscal year 2010.

Assets, Liabilities and Net Assets		
	June 30,	
	2010	2009
<b>Assets</b>		
Current Assets		
Cash and Cash Equivalents	\$ 410,297	464,281
Net Property and Equipment	45	178
Prepaid Expense	175	79
Total Assets	<u>410,517</u>	<u>464,538</u>
<b>Current Liabilities and Net Assets</b>		
Current Liabilities		
Accounts Payable	\$ 16,360	68,896
Payroll liabilities	-	129
Total Liabilities	<u>16,360</u>	<u>69,025</u>
Net Assets		
Unrestricted		
Invested in Property and Equipment	45	178
Reserved for Prepaid Expense	175	79
Undesignated	<u>4,214</u>	<u>4,214</u>
	4,434	4,471
Temporarily Restricted	<u>389,722</u>	<u>391,042</u>
Total Net Assets	<u>394,156</u>	<u>395,513</u>
Total Liabilities and Net Assets	\$ <u>410,517</u>	<u>464,538</u>

All restricted fund resources are available immediately and obligated to the committees' programs as approved each fiscal year. Carryover committee budget obligations from previous fiscal years, increase operating expenses and decrease net assets in current fiscal years, as programs are completed.

The following shows the changes in net assets for the LHA.

<b>Revenues, Expenses and Changes in Net Assets</b>		
	June 30,	
	2010	2009
Operating revenues:		
State appropriations	\$ 200,000	200,000
County Support	3,000	3,000
Other	47	1,600
Total operating revenues	203,047	204,600
Operating expenses:		
Economic Development	\$ (51,166)	(110,808)
Executive Committee	(11,398)	(25,111)
Protection Committee	(75,832)	(26,700)
Stewardship Committee	(68,561)	(156,554)
Provision for depreciation	(133)	(133)
Total operating expenses	(207,090)	(319,306)
Non-operating revenues:		
Interest earned	2,686	6,570
Total non-operating revenues	2,686	6,570
Increase (decrease) in net assets	\$ (1,357)	(108,136)
Net assets-beginning of year	395,513	503,649
Net assets-end of year	\$ 394,156	395,513

With the commitment by the State of Iowa to continue funding through 2010, the LHA has been able to deliver quality programs to western Iowa and the Loess Hills area.

The Loess Hills Alliance works with agencies and partners throughout the Loess Hills region to evaluate and develop programs to serve the region. These programs often require volunteer efforts which are vital to the success and accomplishments of the region and have a substantial but unrecognized value in this report for the Loess Hills Alliance and citizens of the Loess Hills.



## **Factors Affecting the LHA's Future**

The LHA continued to maintain a good financial position during the current fiscal year. However, the condition of the national, state, and local economies will continue to be a concern for the LHA Board of Directors. Some of the realities that may potentially become challenges for the LHA are:

- Ensuring that natural and cultural resource protection and economic development of the Loess Hills remains an important issue in the eyes of federal, state, county, and local governments.
- Reductions in state appropriations.

## **Contacting the LHA's Financial Management**

This financial report is designed to provide federal, state, and county governments, partners, and taxpayers with a general overview of the LHA's finances and to show the LHA's accountability for the money it receives. If you have questions about this report and/or need additional financial information contact:

Loess Hills Alliance  
712 S. Hwy. 6 & 59  
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Oakland, IA 51560-0189

Phone # 712-482-3029

## **FINANCIAL STATEMENTS**

**LOESS HILLS ALLIANCE**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2010 AND 2009**

**ASSETS**

	<u>2010</u>	<u>2009</u>
Current assets		
Cash and cash equivalents	\$ 410,297	\$ 464,281
Prepaid expenses	175	79
Total current assets	<u>410,472</u>	<u>464,360</u>
Equipment		
Equipment	8,187	8,187
Less accumulated depreciation	<u>8,142</u>	<u>8,009</u>
Net property and equipment	<u>45</u>	<u>178</u>
Total assets	\$ <u>410,517</u>	\$ <u>464,538</u>

**LIABILITIES AND NET ASSETS**

Current liabilities		
Accounts payable	\$ 16,361	\$ 68,896
Payroll liabilities	<u>-</u>	<u>129</u>
Total current liabilities	<u>16,361</u>	<u>69,025</u>
Net assets		
Unrestricted		
Invested in property and equipment	45	178
Reserved for prepaid expense	175	79
Undesignated	<u>4,214</u>	<u>4,214</u>
	4,434	4,471
Temporarily Restricted		
State funds	<u>389,722</u>	<u>391,042</u>
Total net assets	<u>394,156</u>	<u>395,513</u>
Total liabilities and net assets	\$ <u>410,517</u>	\$ <u>464,538</u>

See Accompanying Notes to Financial Statement

**LOESS HILLS ALLIANCE**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>						
State appropriations	\$ -	200,000	200,000	-	200,000	200,000
County support	-	3,000	3,000	-	3,000	3,000
Interest	-	2,686	2,686	-	6,570	6,570
Miscellaneous	-	47	47	-	1,600	1,600
Temporarily restricted funds released from restrictions	207,053	(207,053)	-	315,674	(315,674)	-
Total support and revenue	207,053	(1,320)	211,170	315,674	(104,504)	211,170
<b>Expenses</b>						
Economic development	51,166	-	51,166	110,808	-	110,808
Executive committee	11,398	-	11,398	25,111	-	25,111
Protection committee	75,832	-	75,832	26,700	-	26,700
Stewardship committee	68,561	-	68,561	156,554	-	156,554
Depreciation	133	-	133	133	-	133
Total expenses	207,090	-	207,090	319,306	-	319,306
Change in net assets	(37)	(1,320)	(1,357)	(3,632)	(104,504)	(108,136)
Net assets, beginning of year	4,471	391,042	395,513	8,103	495,546	503,649
Net assets, end of year	\$ 4,434	389,722	394,156	4,471	391,042	395,513

See Accompanying Notes to Financial Statement

**LOESS HILLS ALLIANCE  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,357)	(108,136)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	134	133
(Increase) decrease in:		
Prepaid expenses	(96)	(1)
Increase (decrease) in:		
Accounts payable and payroll liabilities	(52,655)	36,065
Net cash used by operating activities	<u>(53,984)</u>	<u>(44,939)</u>
Net change in cash	(53,854)	(44,939)
Cash and cash equivalents, beginning of year	<u>464,281</u>	<u>509,220</u>
Cash and cash equivalents, end of year	\$ <u>410,297</u>	<u>464,281</u>

See Accompanying Notes to Financial Statement

**LOESS HILLS ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Nature of Activities – The Loess Hills Alliance is a private nonprofit corporation organized under Chapter 504(A), Code of Iowa in 1981. The Organization's primary focus is to protect special natural and cultural resources while ensuring economic viability and private property rights of the loess soils region of western Iowa.

The Organization is funded primarily through appropriations from state governmental agencies and support from local county governments.

The accompanying financial statements, which include all programs administered by Loess Hills Alliance, have been prepared in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other accounting principles appropriate for non-profit associations.

The Organization's Board of Directors is comprised of three members appointed by the board of supervisors of each county participating in the Alliance and at least one of the appointees shall be a member of the board of supervisors from each county. Seven additional members shall be persons with experience in the fields of environmental affairs, conservation, finance, development, tourism, or related fields, and whom the Loess Hills Alliance shall appoint.

The statements of financial position, activities, and cash flows are all organization-wide financial statements. They report information for all Loess Hills Alliance's activities, which are in turn all deemed to be governmental activities. The Organization has no proprietary type activities.

Revenue Recognition – Revenues from appropriations, grants and other services are recognized when received or accrued. State appropriations, and interest earned thereon, in excess of related program expenses are recorded as temporarily restricted net assets until those funds are expended.

Income Taxes – The Organization is considered to be an affiliate of a governmental unit and a non-profit organization under Section 501(c)(3) of the Internal Revenue Code and; accordingly, no provision has been made for income tax liabilities or expense. The Organization is not considered a private foundation.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LOESS HILLS ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Cash Equivalents – For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchases with maturity of three-months or less to be cash equivalents.

Concentration of Credit Risk – The Organization receives a substantial portion of its revenue from state grants. A significant reduction in the level of government funding would have a major effect on the Organization's programs and activities.

Cash funds deposited in excess of federally insured limits are protected by the Iowa State Sinking Fund for banks and savings associations, which covers Iowa uninsured public funds.

Fair Value of Financial Instruments – The carrying amounts of cash, prepaids, accounts payable, and payroll liabilities approximate their fair values due to the short-term maturities of these financial instruments.

Donor Imposed Restrictions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support depending on the nature of the restriction. The Organization has no permanently restricted net assets.

Donated Facilities – The value of contributed facilities meeting the requirements for recognition in the financial statements was recorded at market rates. One county is contributing office space for use by the Organization in lieu of a cash contribution. The market value of rent for this space was determined to be \$3,000 per year and is reported as County Support and as an Executive Committee expense.

Grants Receivable – Grants receivable represents amounts due from the State of Iowa for grants and reimbursement.

Property and Equipment – Equipment consists primarily of office equipment and is recorded at cost. Depreciation is provided on a straight-line basis over the five year estimated lives of the equipment.

Subsequent Events – In May 2009, the FASB established guidance for and disclosure of events that occur after the statements of financial position date, but before the financial statements are issued, or available to be issued. This guidance should now be applied by management to the accounting for, and disclosure of, subsequent events, but does not apply to subsequent events or transactions that are within the scope of other applicable generally accepted accounting principles that provide different guidance. In accordance with the guidance, we evaluated subsequent events through November 1, 2010, the date the financial statements were available to be issued.

**LOESS HILLS ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010 AND 2009**

**NOTE 2 COOPERATIVE AGREEMENT**

In 2004, the Organization entered into a cooperative agreement with Golden Hills Resource Conservation and Development, Inc. Under this agreement, Golden Hill Resource Conservation and Development, Inc. agreed to provide management of Loess Hills Alliance's funds including bookkeeping services, payroll services, and monthly and annual reporting. No agreement was signed for fiscal year 2010 and 2009, however, there was a verbal understanding to continue with the agreement and such expenses were approved in the budget of Loess Hills Alliance. The Organization expensed \$1,023 and \$5,295 for these services for the years ended June 30, 2010 and 2009, respectively.

**NOTE 3 RELATED PARTY TRANSACTION**

Loess Hills Alliance received \$200,000 in passed through state support from Loess Hills Development and Conservation Authority for each of the years ended June 30, 2010 and 2009. Loess Hills Development and Conservation Authority is considered an affiliate of this governmental unit. Loess Hills also expensed \$2,000 in administrative support to this Organization for the year ended June 30, 2009. Administrative support was not expensed in the year ended June 30, 2010. Accounts payable to Loess Hills Development and Conservation Authority at June 30, 2009 was \$2,000. There were no payables at June 30, 2010.

**NOTE 4 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consists of funds received to protect special natural and cultural resources while ensuring economic viability and private property rights of the loess soils region of western Iowa. The organization releases funds from restriction when expenses are incurred. Temporarily restricted net assets available were \$389,722 and \$391,042 for the years ended June 30, 2010 and 2009 respectively.



**LOESS HILLS ALLIANCE**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	Budget Variance Favorable (Unfavorable)
Support and Revenue			
State appropriations	\$ 200,000	200,000	-
County support	-	3,000	3,000
Interest	-	2,686	2,686
Miscellaneous	-	47	47
Total support and revenue	<u>200,000</u>	<u>205,733</u>	<u>5,733</u>
Expenses			
Economic development	54,000	51,166	2,834
Executive committee	20,000	11,398	8,602
Protection committee	54,000	75,832	(21,832)
Stewardship committee	54,000	68,561	(14,561)
Project drive	18,000	-	18,000
Depreciation	-	133	(133)
Total expenses	<u>200,000</u>	<u>207,090</u>	<u>(7,090)</u>
Change in net assets	-	(1,357)	(1,357)
Net assets, beginning of year	<u>395,513</u>	<u>395,513</u>	<u>-</u>
Net assets, end of year	\$ <u>395,513</u>	<u>394,156</u>	<u>(1,357)</u>

See accompanying independent auditors' report



Marilyn Schroer, CPA  
Diane McGrain, CPA  
Jim Menard, CPA

November 1, 2010

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Loess Hills Alliance  
Oakland, IA

We have audited the financial statements of Loess Hills Alliance (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Loess Hills Alliance's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Loess Hills Alliance's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Loess Hills Alliance's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Loess Hills Alliance during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.  
nience.

*Schroer & Associates, P.C.*